

DNS 51.706

MEMORANDUM FOR: Assistant Deputy Director (Support)

SUBJECT : Position Schedule bond

1. This memorandum contains a recommendation for the approval of the Assistant Deputy Director (Support). Such recommendation is contained in paragraph 7, below.
2. In August 1955, the Deputy Director (Support) designated a Committee to study the Agency's bonding practices, and to make recommendations as to action which may be required to discharge our responsibilities under Public Law 623, 84th Congress, approved 9 August 1955. In a memorandum dated 26 January 1956, the Committee summarized its findings and recommended that the Comptroller obtain a Position Schedule Bond which would cover certain categories of personnel but which would not entail providing the bonding company with the names of the incumbents. This document was approved by the Deputy Director (Support) on 4 February 1956, and authority to approve amendments to the bond was delegated to the Comptroller.
3. On 20 June 1956, the Committee submitted a report which addressed itself specifically to the positions to be covered. It was recommended that coverage be obtained for positions involving accountability for both vouchered and confidential funds, but not for positions involving accountability for property. The net effect of this proposal was to broaden the then existing coverage to include Chiefs of Class B Stations and Bases in addition to designated custodians under the jurisdiction of the Comptroller. This document was approved by you on 24 August 1956, subject to the following:
 - a. No names of Clandestine Services personnel at headquarters or overseas, or of DD/S or DD/I personnel overseas, will be revealed to a bonding company without prior specific DD/P concurrence, and
 - b. no claims will be prosecuted on personnel enumerated above without prior specific DD/P concurrence.
4. In obtaining the bond which is presently in force, informal bids were solicited from four companies selected from a list presented by the Treasury Department. One of these declined to bid, and the others submitted bids of \$3,462, \$5,716, and \$8,574, respectively. The low figure was submitted by the [redacted] through the [redacted]

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[REDACTED] in Washington. It is felt that the difference in the bids was largely due to our long association with [REDACTED] and the fact that he had experience [REDACTED] factors upon which he could rely, whereas the other bidders did not. 25X1A5a1

b. The question which has now arisen is occasioned by the fact that the present bond expires shortly. It is necessary, therefore, to determine whether the existing bond should be renewed, or whether we should again request bids from other companies. In order to make such a determination, it is necessary to consider a number of points, which are briefly summarized as follows:

a. Public Law 323, 84th Congress, (61 Stat. 646; 6 U. S. C. 14) requires that the head of each department and independent establishment of the Executive Department obtain surety bonds on certain types of individuals, and establishes criteria for obtaining such coverage.

b. Section 10 of the CIA Act of 1949, Public Law 110, 81st Congress, provides that the Agency may expend funds for "payment of premiums or costs of surety bonds for officers or employees without regard to the provisions of 61 Stat. 646, c. U. S. C. 14."

c. The established Agency policy is that normal government procedures will be followed wherever possible, and that Public Law 110 will govern only in those instances related to our covert functions and missions.

d. The bond now in effect covers both vouchered and confidential funds. The present position schedule has been gradually expanded until it now reflects [REDACTED]

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e. Although no names are submitted to the bonding companies, the fact that we have [REDACTED] disbursing officials overseas is itself a significant item providing a basis for estimating the extent of our activities. It is reasoned, therefore, that the position schedule should not be submitted to additional bonding companies unless a net advantage will accrue to the Agency, and unless it can be determined that there is no security problem. In any event, a decision to solicit bids from additional companies should be coordinated with the DD/P and the Office of Security.

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f. Since premiums are based on experience factors, it is unlikely that a company having no previous association with this Agency could underbid the [REDACTED]. Furthermore, there is a security clause in the bond

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agreement which is clearly understood and accepted by the [REDACTED] other companies bidding on the first hand did not completely understand this clause, and tended to resist it.

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6. On 22 January 1958, the Comptroller convened a meeting in his office, which was attended by his Executive Officer, [REDACTED] of the Finance Division; [REDACTED] of the Office of General Counsel; and the undersigned. After a review and discussion of the above facts, it was the consensus of those present that the predominantly operational nature of the positions covered and the security implications involved made it inadvisable for the Agency to treat this program as "not related to our covert mission", or to solicit bids every two years in accordance with normal government practices. The inevitable consequence of soliciting bids would be a constantly increasing number of outside concerns who were aware of the scope of our financial activities overseas, but very few of whom would ever actually enter into a contractual arrangement to provide the coverage.

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7. In view of the foregoing, it is recommended that:

a. The Comptroller be authorized to renew existing coverage within the provisions of Section 10, Public Law 110, without the solicitation of additional bids, (the [REDACTED] created that we ar [REDACTED]

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b. that the Comptroller or his designee continually review the bonding program and submit such additional recommendations as may be warranted by changing circumstances.

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[REDACTED]
Special Assistant to the
Deputy Director (Support)

APPROVED:

SA-DD/S:TBA:ecb (24 Jan 58)

(Signed) H. Gates Lloyd

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Distribution:

Assistant Deputy Director (Support)

Orig & 1 - Comptroller

Date: FEB 3 1958

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1 - Finance Div. [REDACTED]

1 - OGC [REDACTED]

1S - DD/S chmn. [initials] reading

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